Turnover of internet trading in shares

2873. SHRI S.P.M. SYED KHAN : Will the Minister of FINANCE be pleased to state:

(a) what is the percentage of turnover of internet trading in shares in stock exchanges, both NSE and BSE;

(b) what are the steps being taken to regulate the internet trading brokers;

(c) whether SEBI has prescribed any audit measures to be undertaken by such brokers; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The data on the percentage of turnover of internet trading in shares in stock exchanges is not available directly from the trading systems of the stock exchanges as the exchange systems do not separately identify a trade originating from internet trading distinct from other trades.

However, in the case of the Stock Exchange, Mumbai (BSE) some information on the extent of internet trading is available in WEBX portal, which is its internet platform. The National Stock Exchange (NSE) collects data on internet trading on the exchange at periodic intervals from the memebrs.

According to these sources, internet trading at BSE during the period from 1/7/05 to 18/8/05 contributes around 0.09% of the total two sided exchange turnover. While at NSE during the period from 1/1/05 to 31/7/05 on average around 5.2% of the total two sided turnover in the cash market came through internet trading.

(b) Internet trading guidelines have been prescribed by the Securities and Exchange Board of India (SEBI) *vide* its circulars Ref. No. SMDRP/Policy/Cir-06/2000 dated January 31, 2000 and SMDRP/ Policy/Cir-48/2000 dated October 11, 2000 which specify the minimum conditions and standards which are to be ensured by the stock exchanges before permitting stock brokers to carry out internet trading on the exchange.

(c) and (d) System's audits are carried out by the stock exchanges. The NSE has issued a circular Ref. No. NSE/CMO/0197/2005 dated May 10, 2005 advising, *inter alia,* the stock-brokers using internet based trading facility to introduce a requirement of regular audit of their systems. SEBI had also advised NSE in this regard.

The systems audit shall cover, besides the requirements specified in respect to systems audit under the professional code of conduct, compliance of systems with the rules, regulations, bye-laws of the exchange, circulars/instructions/undertaking pertaining to the internet based trading systems issued by SEBI and the stock exchange from time to time. The audit shall be conducted for the purpose of and with an objective of identifying the system inadequacies/deficiencies, if any, based on compliance requirements and the implications of such inadequacies. The circular is available on NSE's website at www.nseindin.com.

RBI's guidelines for banks to cut exposure to real estate

2874. SHRI R.S. GAVAI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has advised Public Sector Banks to cut exposure to real estate;

(b) if so, the reasons therefor; and

(c) what is the response of Public Sector Banks to the RBI guidelines?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Reserve Bank of India has issued guidelines on 'Exposure to Real Estate Sector' to all scheduled commercial banks on 29th June, 2005 with a view to strengthen the risk management system in this segment. These guidelines are available on RBI website www.rbi.org.in.

(c) Government has not received any response from public sector banks in this regard.